



## Just the Facts: A PBM-Pharmacy Snapshot

Pharmacy Benefit Managers (PBMs) work with pharmacies across the country to provide prescription drug benefits to more than 266 million Americans with health coverage through large employers, health insurers, labor unions, and federal and state-sponsored plans.

### PBMs Help Reduce Drug Costs

PBMs work to keep drug costs down for consumers, increase access, and improve outcomes. Between 2016 and 2025, PBMs are positioned to save the State of Colorado \$10.5 billion amongst the state Medicaid program (\$865 million), Medicare Part D (\$3.62 billion), and Commercial Insurance (\$6.02 billion).<sup>1</sup> PBMs reduce costs by:

- Encouraging the use of generics and affordable brand medications;
- Reducing waste while increasing adherence to improve health outcomes;
- Creating networks of affordable, high-quality pharmacies, including offering home delivery of medications and access to high-value specialty pharmacies, which will save Colorado consumers, employers and other payers \$3.6 billion over 10 years;<sup>2</sup>
- Negotiating price concessions from manufacturers and discounts from drugstores; and
- Providing clinical support services to patients who are taking specialty medications.

### The Independent Pharmacy Industry in Colorado Is Strong

- **Between 2010 and 2018, the number of independent pharmacies in Colorado grew from 136 to 155, an increase of 13.9%.** Nationally, the number of independents grew 12% over the same period. During this same time period, the number of chain retail pharmacies fell by nearly 2%.<sup>3</sup>
- According to National Community Pharmacists Association data, over the past decade, gross profits have held steady at around 23%.<sup>4</sup>

### Independent Pharmacies Have Significant Bargaining Clout

- PSAs represent 80% of independent pharmacies in the U.S.;<sup>5</sup>
- PSAs represented or provided other services to as many as 28,000 pharmacies in 2012;<sup>6</sup>
- Individual PSAs contract on behalf of as many as 5,000 pharmacies at one time;<sup>7</sup>
- They negotiate and contract with third-party payers on behalf of independent pharmacies, negotiating reimbursement rates, payment, and audit terms;
- They provide access to pooled purchasing power, negotiating leverage, and contracting strategies similar to those of large, multi-location chain pharmacy corporations;

<sup>1</sup> Visante "Pharmacy Benefit Managers (PBMs): Generating Savings for Plan Sponsors and Consumers" 2016, available at: <https://www.pcmanet.org/wp-content/uploads/2016/08/visante-pbm-savings-feb-2016.pdf>.

<sup>2</sup> Visante, analysis of savings due to the use of specialty and mail service pharmacies, prepared for PCMA. (September 2014), available at [https://pcma.org/wp-content/uploads/2015/11/Visante\\_PCMA\\_Mail\\_and\\_Specialty\\_Savings.pdf](https://pcma.org/wp-content/uploads/2015/11/Visante_PCMA_Mail_and_Specialty_Savings.pdf).

<sup>3</sup> Quest Analytics analysis of NCPDP dataQ data, 2017.

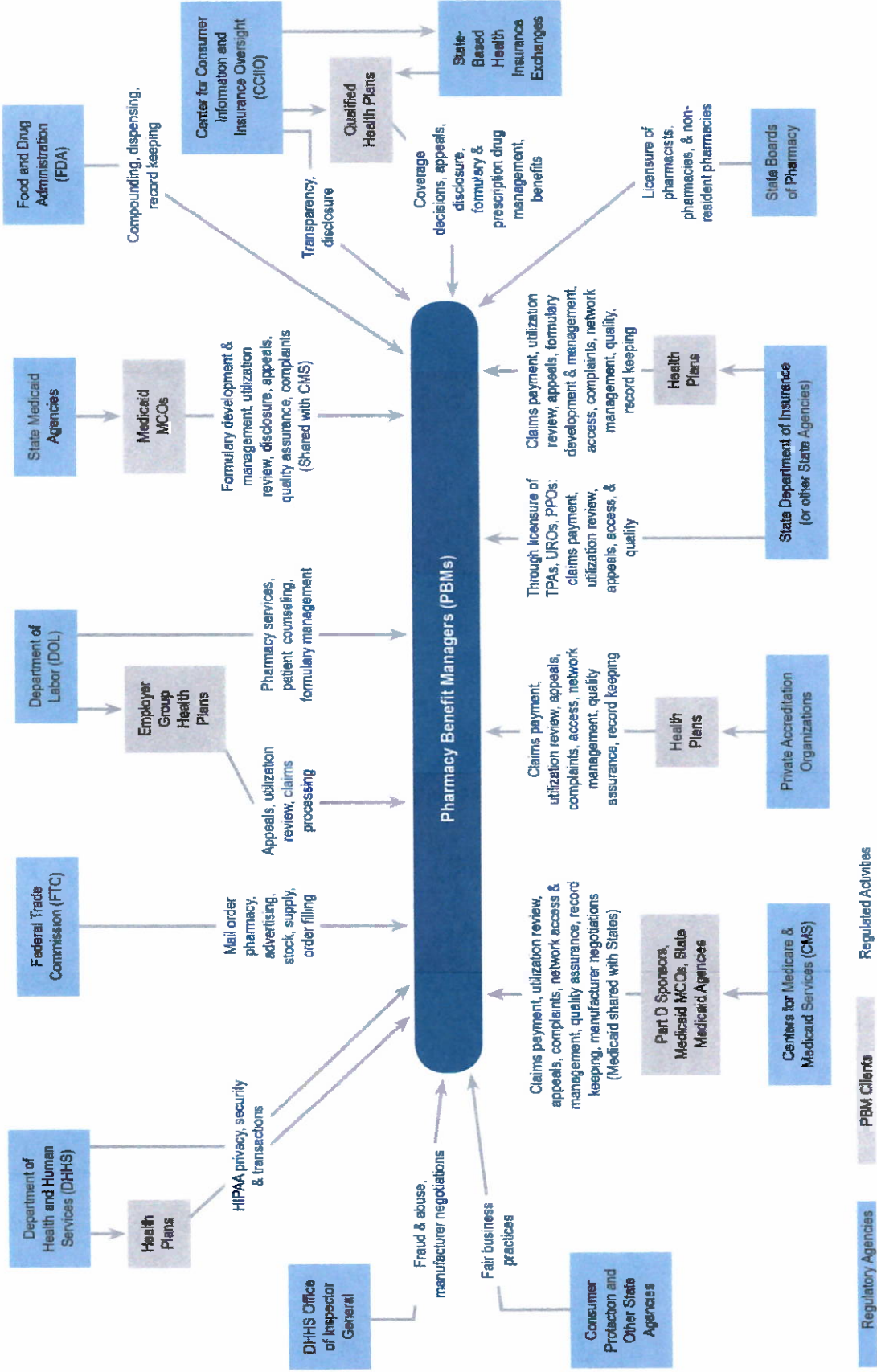
<sup>4</sup> NCPA Digest

<sup>5</sup> GAO, The Number, Role, and Ownership of Pharmacy Services Administrative Organizations. (January 2013). <http://www.gao.gov/assets/660/651631.pdf>.

<sup>6</sup> Id.

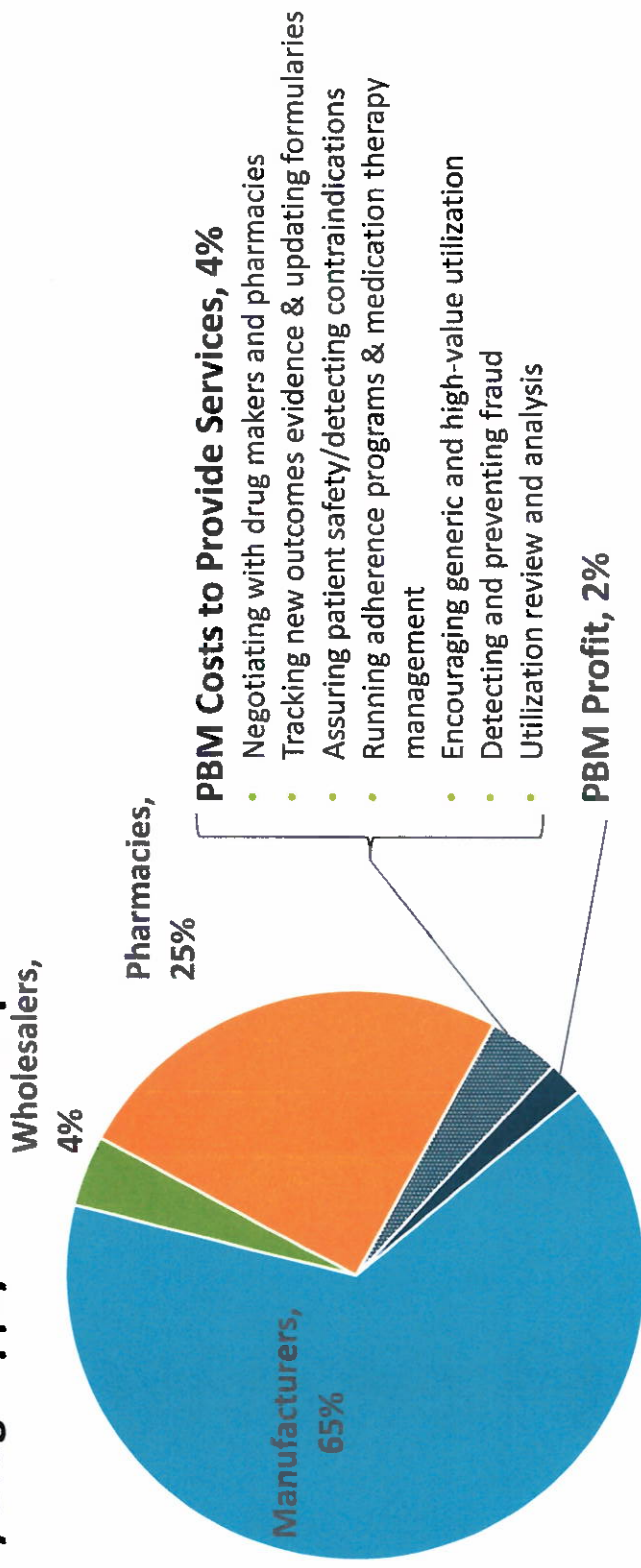
<sup>7</sup> Id.

# Regulation of PBMs



# PBMs Take Only 6% Of Rx Drug Dollar: 4% Pays for PBM Services, 2% Profit

## Share of Drug Dollar Retained by Drug Supply Chain Participants



Source: Visante estimates, 2019; based on data published by IQVIA, Pembroke, Altarum, USC Schaeffer, and Health Affairs. Figure displays estimated total net expenditures (after rebates), both brands and generics. Includes only traditional PBM services, and excludes prescriptions filled by PBM-owned mail/specialty pharmacies, which cost less than retail but provide added margins to PBMs who own mail/specialty pharmacies.